

Message Text

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ACTION COME-00

INFO OCT-01 NEA-10 ADP-00 EB-11 XMB-07 TRSE-00 H-02

CIAE-00 INR-09 NSAE-00 RSC-01 AID-20 EUR-25 OPIC-12

RSR-01 /099 W

----- 049926

R 141144 Z MAR 73

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 7625

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E. O. 11652: N/ A

TAGS: ETRD, IS

SUBJECT: SUPPLY OF ELECTRIC GENERATING EQUIPMENT

DEPARTMENT PASS EXIM AND USDOC (MPD).

REF: STATE 41269, TEL AVIV 1786

1. MINISTRY OF FINANCE ANALYSIS ON EVALUATED COST BASIS

ESTABLISHES THAT COMBUSTION ENGINEERING BID FOR BOILERS FOR POWER
PLANT IS ABOUT \$6.6 MILLION ABOVE CANADIAN BABCOCK WILCOX BID.

DELIVERED PRICE IS STILL ABOUT \$3 MILLION HIGHER. IN ADDITION
FUEL COSTS OVER LIFE OF EQUIPMENT ARE SOME \$3 MILLION HIGHER
AND INITIAL INSTALLATION SOMEWHAT MORE EXPENSIVE. WHILE US
CREDIT TERMS STILL SOMEWHAT MORE EXPENSIVE THAN CANADIAN, THIS
FACTOR NOT NOW CRUCIAL BECAUSE PRICE DIFFERENCE SO LARGE.

2. MINISTRY OFFICIALS ARE DISPLAYING APPARENT DESIRE FAVOR US

BIDDER BUT FEAR THEY CANNOT JUSTIFY PAYING PRICE SO MUCH HIGHER
THAN COMPETITION'S. EMBASSY IS PRESSING ARGUMENT THAT HIGHER
INITIAL PRICE AND FUEL COST JUSTIFIABLE IN VIEW COMBUSTION'S
PROVEN SUPERIORITY IN POLLUTION CONTROL, AN INCREASINGLY IMPORTANT
ASPECT HERE AS ENVIRONMENTALISTS GAIN STRENGTH.

3. NEVERTHELESS WE FEAR US BIDDER FACING TOUGH SLEDDING.

IF COMBUSTION COULD MAKE SOME FURTHER PRICE CUT AND PROVIDE US

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WITH HARD- HITTING MATERIAL ON ITS POLLUTION ARGUMENTS,
CHANCES WOULD BE IMPROVED.

4. GENERAL ELECTRIC APPEARS TO BE STILL WELL IN RUNNING FOR
GENERATORS AS ITS GOOD REPUTATION FOR QUALITY OUTWEIGHS LARGE
PART OF MAJOR COST DIFFERENCE OVER GERMAN COMPETITORS. EMBASSY
IS URGING MINISTRY OF FINANCE TO ASSURE THAT ISRAEL ELECTRIC
COMPANY MEETS AGAIN WITH GE TO HEAR FINAL OFFER.

DECON 3/31/74.

ZURHELLEN

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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